

**DRAFT**

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

**ENERGY DIVISION**

Item 41      **ID# 4326**

**RESOLUTION E-3915**

**March 17, 2005**

**R E S O L U T I O N**

Resolution E-3915. Southern California Edison Company (SCE) submits revisions to its rate schedules to update the Transmission Access Charge Balancing Account Adjustment Rate. This Resolution approves the rate change proposed by SCE pursuant to FERC's approval of these rates.

By SCE Advice Letter 1856-E filed on January 28, 2005.

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**SUMMARY**

**In accordance with SCE's annual Transmission Access Charge Balancing Account Adjustment (TACBAA) update filed with the Federal Energy Regulatory Commission (FERC) in FERC Docket No. ER05-506-000 on January 28, 2005, SCE submitted to the CPUC for filing its annual change to the TACBAA rate in SCE's Rate Section of each rate schedule. This Resolution approves the rate change proposed by SCE pursuant to FERC's approval of these rates, subject to refund.**

The California Public Utilities Commission (CPUC or Commission) finds that the Advice Letter filing is in accordance with SCE's FERC filing for revisions to its TACBAA transmission rate. The Commission finds that the TACBAA revenue requirements and associated rate are just and reasonable, and fully recoverable from SCE's applicable customers, subject to refund to the same extent as authorized by the FERC.

SCE Advice Letter 1856-E was not protested.

This resolution approves the advice letter.

## **BACKGROUND**

**On January 28, 2005, SCE updated the Transmission Access Charge Balancing Account Adjustment rate in its Transmission Owner's Tariff as filed with the FERC, in FERC Docket No. ER05-506-000, to be effective April 1, 2005.**

The TACBAA rates are routinely updated with the FERC, and filed concurrently with the CPUC at the end of each year, subject to refund, to be effective on January 1 of the following year. For ease of administering the TACBAA, SCE proposed in its filing with FERC to revise the effective date of the annual update from January 1 to April 1. To ensure that the CPUC has sufficient time to review issues related to these rate changes and approve these rate changes as soon as possible, SCE agreed to file AL 1856-E with the CPUC at least 40 days prior to its effective date as filed with the FERC.

Implementation of the TACBAA mechanism ensures that the cost-shift amounts<sup>1</sup> billed by the Independent System Operator (ISO) to SCE under the Transmission Access Charge (TAC) structure would be recovered from end-use customers through the operation of the TAC Balancing Account and the TACBAA rate.

The TACBAA rate is based on the balance in the TAC Balancing Account and a forecast of the net annual charge billings by the ISO. As filed with the FERC, SCE updated the TACBAA rate from \$0.00041 per kWh, which is the current rate in effect, to \$0.00074 per kWh effective for service rendered on and after April 1, 2005.

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<sup>1</sup> Cost-shift amounts result from the ISO's implementation of the transmission access charge (TAC) methodology. After transitioning over a period of time, the ISO will have a single grid-wide transmission access charge for each participating transmission owner (PTO) on its system, be it the investor-owned utility or a municipal utility. As part of this transition, presently 50% of a PTO's costs are part of the ISO grid-wide charge and 50% is part of the TAC area charge. Because of the higher cost of the transmission systems of some utilities (mostly the municipals) that are joining the ISO system, customers of the other utilities have to pay a higher TAC charge. This is what SCE terms as the cost-shift amounts. SCE forecasts this cost-shift amount to be \$56.92 million for 2005.

## **NOTICE**

Notice of SCE AL 1856-E was made by publication in the Commission's Daily Calendar. SCE states that a copy of the Advice Letter was mailed and distributed in accordance with Section III-G of General Order 96-A.

## **PROTESTS**

SCE Advice Letter 1856-E was not protested.

## **DISCUSSION**

Energy Division has reviewed SCE AL 1856-E. Discussion of the relevant facts that lead to the approval of this advice letter is below.

**SCE's TACBAA rate would increase from \$0.00041 per kWh, which is the rate currently in effect, to \$0.00074 per kWh effective April 1, 2005.**

The revised TACBAA rate applicable to SCE's end-use customers is \$0.00074 per kWh effective April 1, 2005. This revision represents an increase from the \$0.00041 per kWh TACBAA rate currently in effect.

The revised rate was developed by combining the TACBAA under-collection balance of \$4.74 million as of December 31, 2004, the forecast of net TAC cost-shift amounts for 2005 of \$56.92 million, plus an adjustment for franchise fees and uncollectible account expense of \$0.73 million, for a total TACBAA of \$62.39 million, divided by SCE's gross load at the meter, which is 84,494 million kWh for the twelve-month period ending December 31, 2004.

This increase in the rate is due to the increase in SCE's cost-shift amount, determined by the ISO under its currently effective TAC structure. The increase is primarily due to the addition of Trans-Elect's transmission revenue requirements associated with the Path 15 upgrade and the City of Pasadena's becoming a Participating Transmission Owner (PTO). The portion of the total cost-shift to the PTOs attributable to Pasadena is \$9.8 million, of which SCE is responsible for \$4.1 million.

**The TACBAA rate revenue change is a \$27.954 million increase to a total of \$62.386 million for retail customers.**

The forecast annualized transmission revenue change resulting from the implementation of the revised TACBAA rate by retail rate group effective April 1, 2005 is shown below. The revision to the TACBAA rate does not affect any wholesale customers under SCE's Transmission Owner's tariff.

Class	TACBAA Rate Revenue Change (\$ million)
Domestic	8.959
Small & Medium Power	9.816
Large Power	7.980
Agriculture	0.985
Street Lighting	0.214
System TOTAL	27.954

SCE stated that the TACBAA rate recovers SCE's "cost-shift" due to the ISO's Transmission Access Charge (TAC), and is only applied to SCE retail customers pursuant to SCE's TO tariff, Section 3.100. Pursuant to the ISO tariff, wheeling rates are equal to the TAC area rate in which the wheeling service is provided. These TAC rates are a function of the Transmission Revenue Requirements (TRR) of each PTO, and as such already include a cost-shift due to the inclusion of higher TRRs of the new PTOs as compared to the original PTOs (SCE, PG&E, and SDG&E).

**Implementing the full TACBAA rate change will not increase residential Tier 1 and Tier 2 rates above Assembly Bill (AB) 1X limitations.**

Consistent with D.04-02-057 and AB 1X, total energy charges for residential usage up to 130% of the authorized baseline quantity are limited to levels in effect on February 1, 2001. In the event a rate change would otherwise result in exceeding the AB 1X limitations, the commission authorized SCE to establish a memorandum account to track revenue under-collections resulting from the AB 1X limit to increases to Tier 1 and Tier 2 charges. In SCE Advice Letter 1844-E, filed December 3, 2004, SCE

proposed to track generation revenue shortfalls caused by AB 1X limitations in compliance with Resolution E-3897. This Advice Letter filing was approved by the Commission by letter from the Energy Division dated December 9, 2004.

Although SCE established domestic Tier 1 and Tier 2 energy charges at their mandated limit in advice Letter 1808-E that was filed on July 16, 2004, subsequent net rate reductions make it possible for SCE to implement the full TACBAA rate change without violating AB 1X limitations. As a result, no tracking of revenue under-collections will be necessary for this proposed TACBAA rate change.

**In its filing with FERC, SCE requested to change the effective date of the annual TACBAA rate update from January 1 to April 1.**

As explained by SCE in its filing with FERC, the purpose of this change is to reflect that the TAC cost-shift information necessary for SCE to calculate its TACBAA rate is not available from the ISO until late in December, due to the fact that the ISO must base its calculation on the Participating Transmission Owner's transmission revenue requirements for the subsequent calendar year. Therefore, according to SCE, *"Revising the effective date of the annual TACBAA rate update will enhance regulatory efficiency by minimizing the need to file to revise rates after their proposed effective date and by giving customers ample notice of rate changes."*

SCE also proposed to use the December balance in the TAC balancing account and the recorded kilowatt-hour sales for the twelve months ending December in the calculation of the annual rate update.

**In filing Advice Letter 1856-E, SCE consolidated the TACBAA rate with other approved rates as shown on the tariff sheets attached to the Advice Letter.**

In filing Advice Letter 1856-E, SCE combined the TACBAA rate with the Transmission Revenue Balancing Account Adjustment (TRBAA) rate and the Reliability Services Balancing Account Adjustment (RSBAA) rate to produce the Transmission Owner's Tariff Change Adjustment (TOTCA) rate component of the applicable tariffs, as shown on the tariff sheets attached to Advice Letter 1856-E.

The rates thus filed and shown on the tariff sheets consolidate the following rates:

- The Trust Transfer Amount (TTA) changes contained in Advice Letter 1846-E;

- The California Department of Water Resources (DWR) Power Charge changes contained in Advice Letter 1851-E; [Not yet approved]
- The CPUC Reimbursement Fee (PUCRF) rate change in Advice Letter 1852-E;
- The TRBAA and RSBA rate changes contained in Advice Letter 1854-E; [Not yet approved]
- The TACBAA rate change contained in Advice Letter 1856-E.

We note that Advice Letters 1851-E and 1854-E were pending approval by the Commission as of February 15, 2005. If these advice letters are not approved by the effective date of this resolution, SCE shall consult with Energy Division no later than one week later to determine whether they will be approved prior to April 1, 2005. If at that time Energy Division does not expect either AL 1851-E or 1854-E to be approved prior to April 1, 2005, SCE shall supplement AL 1856-E prior to April 1, 2005 to remove the tariff changes associated with the advice letter(s) pending approval.

**The revised TACBAA revenue requirements requested in AL 1856-E and the rates underlying those revenue requirements are just and reasonable.**

SCE has shown that its transmission-related costs have increased, and we approve the revenue requirement increases required to recover these costs. The method that SCE proposes to allocate those costs and the revised TACBAA revenue requirements to customer classes are reasonable. Energy Division recommends that these rates be adopted.

**Filed rate doctrine provides for a pass through of FERC-approved rates.**

Under the filed rate doctrine applicable to these federally-approved rates, the CPUC is obligated to pass through this FERC-authorized revenue requirement to SCE's applicable customers. The passing through of this revenue requirement to SCE's applicable customers does not involve the promulgation of "general rates," or the establishment of a new general rate structure. Rather, the rates involved here pass through an adjustment to an existing category of costs. Accordingly, we conclude that we should authorize SCE to recover this revenue requirement, which is permitted by both state and federal law.

## **COMMENTS**

Public Utilities Code section 311(g) (1) generally requires resolutions to be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Accordingly, this resolution has been issued for public review and comment.

## **FINDINGS**

1. SCE filed Advice Letter 1856-E on January 28, 2005 to revise its TACBAA rate effective April 1, 2005. No party protested SCE's advice letter.
2. SCE filed revisions to its TACBAA rate with the FERC concurrently on January 28, 2005 for rates, subject to refund, effective April 1, 2005.
3. The TACBAA rate is routinely updated with FERC, and filed concurrently with the CPUC in late December of each year, subject to refund, to be effective on January 1 of the following year.
4. For ease of administering the TACBAA, SCE proposed to the FERC to revise the effective date of the annual update from January 1 to April 1.
5. The 2005 TACBAA rate is increased to \$0.00074 per kWh to reflect a revenue requirement increase by approximately \$28 million over the current rates in effect in 2004.
6. The 2005 TACBAA is being revised to reflect a 2005 forecast increase in transmission costs associated with Trans-Elect's transmission revenue requirement for the Path 15 upgrade and the City of Pasadena's becoming a Participating Transmission Owner.
7. The CPUC is obligated to pass through FERC-authorized revenue requirements to SCE's applicable customers.
8. Implementing the full TACBAA rate change will not increase residential Tier 1 and Tier 2 rates above AB 1X limitations.
9. In filing Advice Letter 1856-E, SCE consolidated the TACBAA rate with other approved rates as shown on the tariff sheets attached to the Advice Letter.
10. If Advice Letters E-1851-E and 1854-E are not approved by the effective date of this resolution, SCE shall consult with Energy Division no later than one week later to determine whether they will be approved prior to April 1, 2005.
11. If at that time Energy Division does not expect either AL 1851-E or 1854-E to be approved prior to April 1, 2005, SCE shall supplement AL 1856-E prior to April 1, 2005 to remove the tariff changes associated with the advice letter(s) pending approval.

12. The Commission finds the revised TACBAA revenue requirements and the attendant rates are just and reasonable, and fully recoverable from SCE's applicable customers.
13. In the event FERC authorizes a different rate than requested, SCE will file an advice letter to immediately adjust its rates on a prospective basis.
14. If a refund is in order, SCE will file an advice letter with the CPUC to return over-collected revenues in accordance with an order issued by the FERC, as specified in the year-end consolidated filing.

**THEREFORE IT IS ORDERED THAT:**

1. The request of SCE in its Advice Letter 1856-E to revise the TACBAA rate, pursuant to FERC approval of this rate, is approved.
2. The rates filed in AL 1856-E shall be effective April 1, 2005, subject to the conditions set forth in Ordering Paragraph 4.
3. To the extent that FERC has authorized these rates subject to refund, SCE, shall, as soon as possible, after the FERC determines final rates, file any revised rates to reflect FERC-approved final rates.
4. If Advice Letters 1851-E and 1854-E have not been approved by the Commission by the effective date of this resolution, SCE consult with Energy Division no later than one week later to determine whether they will be approved prior to April 1, 2005. If at that time, Energy Division does not expect either AL 1851-E or 1854-E to be approved prior to April 1, 2005, SCE shall supplement AL 1856-E prior to April 1, 2005 to remove the tariff changes associated with the advice letter(s) pending approval.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on March 17, 2005; the following Commissioners voting favorably thereon:



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STEVE LARSON  
Executive Director

February 15, 2005

E-3915 ID#4326

March 17, 2005

TO: PARTIES TO SCE's ADVICE LETTER 1856-E

Enclosed is draft Resolution E-3915 of the Energy Division. It will be on the agenda at the March 17 Commission meeting. The Commission may then vote on this Resolution or it may postpone a vote until later.

When the Commission votes on a draft Resolution, it may adopt all or part of it as written, amend, modify or set it aside and prepare a different Resolution. Only when the Commission acts does the Resolution become binding on the parties.

Parties may submit comments on the draft Resolution.

An original and two copies of the comments, with a certificate of service, should be submitted to:

Jerry Royer  
Energy Division  
California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, CA 94102

A copy of the comments should be submitted to:

Eric Greene  
Energy Division  
California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, CA 94102

Fax: 415-703-2200  
Email: eg1@cpuc.ca.

Any comments on the draft Resolution must be received by the Energy Division by March 11, 2005. Those submitting comments must serve a copy of their comments on 1) the entire service list attached to the draft Resolution, 2) all Commissioners, and 3) the Director of the Energy Division, on the same date that the comments are submitted to the Energy Division.

Comments shall be limited to five pages in length plus a subject index listing the recommended changes to the draft Resolution, a table of authorities and an appendix setting forth the proposed findings and ordering paragraphs.

Comments shall focus on factual, legal or technical errors in the proposed draft Resolution. Comments that merely reargue positions taken in the advice letter or protests will be accorded no weight and are not to be submitted.

Replies to comments on the draft resolution may be filed (i.e., received by the Energy Division) on March 14, 2005, three days after comments are filed, and shall be limited to identifying misrepresentations of law or fact in the comments of other parties. Replies shall not exceed five pages in length, and shall be filed and served as set forth above for comments.

Late submitted comments or replies will not be considered.

Gurbux Kahlon

Program Manager

Energy Division

Enclosure: Service List

CERTIFICATE OF SERVICE

**CERTIFICATE OF SERVICE**

I certify that I have by mail this day served a true copy of Draft Resolution E-3915 on all parties in these filings or their attorneys as shown on the attached list.

Dated February 15, 2005 at San Francisco, California.

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*Jerry Royer*

**NOTICE**

Parties should notify the Energy Division, Public Utilities Commission, 505 Van Ness Avenue, Room 4002 San Francisco, CA 94102, of any change of address to ensure that they continue to receive documents. You must indicate the Resolution number on the service list on which your name appears.

Service List for E-3915

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